

Commonwealth Payee Policy and Procedures

Payee Definition

A payee of the Commonwealth is an individual, sole proprietor, corporation, partnership, foreign individual/corporation, organization or governmental entity that is being paid or is expected to be paid by the Commonwealth. Most payees have contracts for goods/services/construction, while others receive payments such as local aid and abandoned property.

Payee Policy

In order to be paid by the Commonwealth, a payee must be registered in the state's accounting system: Massachusetts Management, Accounting, and Reporting System (MMARS). Registration takes place through Payee Self-Service (PSS), a component of MMARS.

Payees have a minimum of two records in MMARS: the legal record and the remittance record. The legal record is used for tax reporting purposes and represents one tax identification number (TIN). The remittance record is used for payment. Some payees may have multiple remittance records depending on the structure of the corporation, etc. A payee has one tax identification number (TIN) and multiple payee (vendor) codes equal to the number of payment addresses or EFT accounts. The Payee (vendor) code length is 13 characters and includes the payee's TIN and four system generated characters unique to each remittance address. Departments that interface payees directly to MMARS will continue to do so with the existing established rules.

When registering for payment with the Commonwealth, each payee must submit a Request for Taxpayer Identification Number and Certification (form W-9) which verifies for the Commonwealth and the Internal Revenue Service (IRS) the validity of the TIN and legal name and address of the payee. If a payee plans to contract with the Commonwealth, the Commonwealth Terms and Conditions (T&C) are also required. A payee signs the T&C once and then it can be used to support a contract in any department. All payees are encouraged to be paid through Electronic Funds Transfer (EFT). This allows payment to be electronically transferred to a payee's bank account. EFT is fast and safe and the preferred payment method of the Commonwealth. Any department can use payees; therefore their documentation (W-9, T&C, EFT) must continue to be filed with the Office of the Comptroller (CTR).

Payees and departments can look up EFT, remittance information, and other payments online through VendorWeb 24 hours a day, seven days a week at <http://massfinance.state.ma.us>. Vendor Web provides both payment history and payments scheduled to be paid in the future.

The goal of the Commonwealth is to pay its bills in 30 days via EFT.

Overview of Payee Self Service (PSS)

Payee Self Service is an intranet-based Web application to help departments manage payee information online. It functions as the front end of the MMARS Vendor File and provides for ease of data entry and editing that is not available in MMARS.

PSS uses some new terms and those terms will be used interchangeably until MMARS is replaced.

Payee = Vendor
Headquarters = Legal Record
Location = Remittance Record or Vendor Code

Headquarters/Location

One of the key features of PSS is the establishment of a Headquarters (HQ) record for each payee that acts as a repository for all payee legal information, which includes:

Taxpayer Identification Number (TIN),
Legal Name,
Doing Business As (DBA - from the W-9),
Legal Address,
and the date(s) of a signed W-9 as well as any necessary Terms and Conditions of the Commonwealth.

The PSS HQ record is related to the legal record in the MMARS Vendor file, and as such creates an inactive legal vendor code (designated #####) on MMARS. There is one HQ record per TIN and there is at least one Location record per HQ, some payees can have multiple location records.

Active vendor codes are created and managed from PSS Location records. Location records are analogous to remittance vendor codes in MMARS and can be used by the Departments to make payments. These include pre-existing MMARS payees that have been converted to PSS. New vendor codes created in PSS will have system-generated location codes constructed from an alpha "K" with an incremental number (001, 002 etc.) placed after it.

Address Validation Edits

USPS certified software has been integrated into PSS to check and correct address entries for both Headquarters and Location entries.

For each payee record added or modified in PSS there will be edits performed on the address information. PSS features the integration of postal software that validates number, street, city/town, state and zip code and corrects any erroneous formatting or information prior to the approval of the record.

Corrections are automatically made. A warning message is provided to alert user that a change was made prior to submitting for processing.

Bank Routing Number Validation Edits

PSS will edit ABA numbers against the Federal Reserve Bank's official list. This will help to reduce rejected pre-notes when establishing electronic funds transfer between the State Treasury and payee's bank accounts.

When EFT information is entered the bank routing number is edited for accuracy. The name of the banking institution is displayed for visual confirmation of entry made.

Primary Department

PSS has a Primary Department feature. A Primary Department designation in PSS refers to the Commonwealth department and organization processing the new payee or modification of the payee's data. The selection of the Primary Department determines the work list to which that payee's new or modification request is added, and is derived from the submitter's UAID.

The Primary Department assignment is only active during one processing cycle. Once the payee record is active the primary department can change.

Smarter Data Entry

Additional features that PSS also offers include inferred data rolling forward to other record areas to eliminate redundant data entry when appropriate. In addition, over-all system edits will result in better information that can then be used to system-generate the necessary VU transactions and be loaded to MMARS in a DONE status.

- Inferred Data—Some data, such as name, TIN and even addresses are commonly used in multiple places. PSS will allow the users to enter data into the system only once, while bringing the information forward to any newly created Location records. Users will also have the capacity to copy submitted, confirmed or approved records into a newly created record or a record to be modified.
- System Edits, on-Screen Utilities—Field controls, drop-down menus, and check boxes will streamline data entry and improve accuracy.
- Automated VU generation—The “3 VU's” currently required to establish a Payee on MMARS will now be created by PSS on behalf of the Departments. These VU's will go to “DONE” status on MMARS, eliminating the need (in most cases) for Departments to track the VU Suspense File.

Workflow

With the rollout of PSS, Department's workflow will begin to move to their desktop. The introduction of a Department Worklist in Payee Self Service will be a noticeable change. Upon logging into PSS, the Worklist will present to the user all submitted data for confirmation and processing. Department staff will then confirm items on the system and forward the paperwork to (W-9, T&C, EFT) the Comptroller. Confirmed items move to an approver's Worklist where approvals can be administered as the signed documentation arrives at the Office of the Comptroller.

Department staff will continue to assemble required payee paperwork that will result in data entry of legal, remit and other information. Paperwork will then be forwarded to the Comptroller, just as it is today.

Departments will, however, be able to streamline workflow within the Department. For example, the VU form will not be required for data entry, since PSS will capture the UAID of the data entry and confirming users, as well as the UAID of the Comptroller staff who performs the final approval.

Processing Rules

The PSS MODIFICATION STATUS and APPROVAL STATUS fields identify the current status of the payee in MMARS. Payees active in MMARS with no changes pending in PSS have statuses of ACTIVE and CURRENT on PSS, respectively. Once a request to modify, add or cancel has begun in PSS the MODIFICATION STATUS field will reflect the PSS process flow.

Valid values are:

- SUBMIT – Data has been entered or modified
- CONFIRM – Valid documentation has been received and reviewed by the department.
- CANCEL – New payee (not on MMARS) request to register is declined.
- DECLINE – Request to modify record currently on MMARS is declined.

When CONFIRM items are ready for approval the APPROVAL STATUS field can be updated:

- APPROVE – Documentation is filed centrally at CTR and VU(s) has been generated for MMARS.

Required documentation necessary to complete the successful approval of a payee on MMARS is recorded. All PSS records clearly identify documents on file as well as the signature date.

Change of Remit Address

The most common update to the Payee file on MMARS is a change of remittance address. Payees should request any change of payment information in writing to a department the payee has business with. This document will be sent to the Comptroller's Office for approval.

EFT Change or Enrollment

The Commonwealth's preferred method of payment for all payees is Electronic Funds Transfer (EFT). All requests for EFT payment require the completion of a Commonwealth EFT by the payee.

Change to TIN

When a payee requests a change of TIN they should be directed to CTR for processing

Change of Legal Name or Address

Payee requests to change the legal name and/or address require the completion of a W-9 form. PSS edits will require that the signature date of the W-9 be entered prior to approval.

Exception Processing

Due to the additional requirements, in law or in policy, of certain payee types any additions or modifications of the following payee types will require special handling.

Foreign Payees

Foreign addresses will not process successfully through the address validation edits. Payees that are foreign entities will require data entry directly to MMARS with the appropriate W-8 form required.

Government

Payees that are designated organization type "G" government will require CTR approval.

“Owned” Payees

Certain payee records in MMARS have an identifying character in the 10th position of the vendor code which designates oversight of any modifications to a specific department owner. This practice is supported in PSS. In the event a modification is requested to an “owned” payee, the primary department will be assigned to the owner and processing will continue at the discretion of the owner.

Approval Process

There are 3 system actions to accomplish payee/vendor approval (done status in MMARS): submit, confirm and approve.

1) “Submit” is data entry of payee information. Payee then appears on the confirmer's worklist.

2) “Confirm” is review by the department of payee documentation (W-9, T&C, EFT form) and forward to CTR. Confirm is the department action that authorizes the Payee. Payee then appears on the approver's (CTR) worklist.

3) “Approve” is validation that payee documentation is filed centrally in the Comptroller's Office.

Note: Steps 1) and 2) can be processed simultaneously by the same person in accordance with a department's internal controls, signatory authority and security.

Records Management

Office of the Comptroller

The record copy of the W-9, T&C and the EFT form are filed centrally in the Comptroller's Office until 7 years after the payee/vendor is purged from the MMARS Vendor File.

W-9 is required by the Internal Revenue Service (IRS).

T&C is part of all payee contracts with the Commonwealth; past, present and future.

EFT form is required by NACHA (National Automated Clearing House Association).

Departments

Every new payee or modification to a payee must be confirmed/authorized by a department signatory authority. This can be accomplished in one of two ways:

1) If the employee who confirms the payee in PSS is a department signatory, the system will be sufficient documentation.

2) If the employee who confirms the payee in PSS is not a department signatory authority, the confirmer must screen print the transaction in PSS and obtain a wet signature and date from a department signatory authority.

Documentation from option 2) must be kept on file at the department until 1 year after the end of the fiscal year and then for 6 years with the State Records Center.

History File

The History of Payee Actions table stores every modification processed to approval or deleted. Upon the action of approve or delete, modifications to HeadQuarter and Location records leave the worklist and move to the History table, where all of the pertinent information about that request is stored. In addition, users can query against the History table to identify modifications by vendor legal name, location name, last action date, primary department, and vendor code.

The History table stores information about each transaction, including the UAIDs of submitters, confirmers and approvers, dates of each action, and (for approved modifications) the VU Doc ID that was created to pass the change into MMARS.

Security

PSS security is based on the current MMARS security profiles, therefore users do not need to “apply” for PSS security. MMARS users with the ability to process VU’s today will be able to login to PSS. The UAID id will be used to login to PSS. The password will be set by the user the first time they login but will not be linked in any way to the password used at the ITD gateway to access mainframe systems (such as MMARS, PCRS or ViewDirect). In terms of PSS processing, the MMARS profiles fall into 2 categories. The first category is the MMARS profiles that have the ability to process VUs today in MMARS and bring them to a pend 5 status. In PSS this ability will equate to CONFIRM. The second category is those profiles that have the ability to enter VUs and hold only (no ability to bring to a pend 5 status). In PSS, this ability will equate to SUBMIT.

The department security officer maintains the list of MMARS users and profiles within the department.

Please note, most MMARS profiles will allow the users to confirm a vendor in PSS (which is the equivalent of a pend 5 status). Since signed VU’s are no longer required to be submitted to CTR, (see Approval Process and Records Management) departments may need to modify their internal processing of vendor registration to insure good internal controls.